

**LEGISLATIVE SERVICES AGENCY
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FISCAL IMPACT STATEMENT

LS 7839

BILL NUMBER: HB 1503

NOTE PREPARED: Jan 12, 2003

BILL AMENDED:

SUBJECT: Energize Indiana K-12 education initiative.

FIRST AUTHOR: Rep. Kersey

BILL STATUS: As Introduced

FIRST SPONSOR:

FUNDS AFFECTED: **GENERAL**
 X DEDICATED
 FEDERAL

IMPACT: State & Local

STATE IMPACT	FY 2003	FY 2004	FY 2005
State Revenues			
State Expenditures		125,000,000	75,000,000
Net Increase (Decrease)		(125,000,000)	(75,000,000)

LOCAL IMPACT	CY 2003	CY 2004	CY 2005
Local Revenues	84,500,000	69,000,000	34,500,000
Local Expenditures			
Net Increase (Decrease)		69,000,000	34,500,000

Summary of Legislation: This bill provides appropriations to K-12 education from securitized payments received under the Tobacco Master Settlement Agreement.

Effective Date: July 1, 2003.

Explanation of State Expenditures: The bill appropriates \$125 M for FY 2004 and \$75 M for FY 2005 from securitized payments under the Tobacco Master Settlement Agreement. The Energize Indiana K-12 Education Fund is created to receive these payments. The Fund shall be administered by the State Budget

Agency. Money in the Fund at the end of a fiscal year does not revert to the General Fund. If the Authority has insufficient money to make the total amount of transfers required by law for any fiscal year, the Authority will make transfers for that fiscal year as directed by the State Budget Agency after review by the Budget Committee.

The following table outlines the specific purposes of the appropriations.

	FY 2004	FY 2005
Tuition Support	\$50.0 M	
Education Technology Grants	\$12.9 M	\$12.9 M
Intelnet Commission Internet Connection Grants	\$3.0 M	\$3.0 M
Library Connection/INSPIRE Grants	\$3.0 M	\$3.0 M
Technical Assistance to Schools	\$5.1 M	\$5.1 M
School Library Printed Materials	\$1.0 M	\$1.0 M
Academic Achievement Grants	\$50.0 M	\$50.0 M
Total	\$125.0 M	\$75.0 M

Explanation of State Revenues: The bill refers to an "authority" established to securitize payments received under the Tobacco Master Settlement Agreement that the state entered into on November 23, 1998. The settlement between the tobacco industry and the states included a stream of payments that continue indefinitely. Payments to states are subject to adjustments based on inflation and the sales volume of cigarettes in the United States. The payments are also contingent upon the solvency of the tobacco companies that are parties to the settlement agreement. The term securitization refers to the sale of the anticipated income stream on the capital market, at a discount, for a lump sum payment. The bill does not address the specific details of a securitization of the state's Tobacco Master Settlement Agreement Funds.

Explanation of Local Expenditures:

Explanation of Local Revenues: Local school would receive additional funding for tuition support, education technology, technical assistance, printed materials, and academic achievement. The tuition support is assumed to be distributed in CY 2003. The remaining distributions are assumed to be distributed equally over the biennium.

State Agencies Affected: Department of Education, State Budget Agency, State Library, and Intelnet Commission.

Local Agencies Affected: Local school corporations and libraries.

Information Sources:

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